

**The Management's Discussion and Analysis of Financial Condition and Results of Operations for Charlotte's Web Holdings, Inc. is also included in the Form 10-Q for the quarter ended September 30, 2025 filed on SEDAR+ on November 12, 2025 in its entirety.**

*This document (this "MD&A") contains information under the heading "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" which has been excerpted from Charlotte's Web Holdings, Inc.'s (the "Company" or "our") Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 (the "Third Quarter Report") filed concurrently with this MD&A on the date hereof on our profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on EDGAR at [www.sec.gov](http://www.sec.gov). This MD&A should be read in conjunction with our Third Quarter Report including Item 1 containing the Company's unaudited condensed consolidated financial statements and the related notes thereto as well as Item 1 "Business" and Item 1A "Risk Factors". This MD&A incorporates by reference herein the section entitled "Disclosure Regarding Forward-Looking Statements" and Item 1A "Risk Factors" from our Third Quarter Report. Defined terms used herein but otherwise not defined have the meaning ascribed to them in the Annual Report on Form 10-K for the year ended December 31, 2024 and in Part II, Item 1A—Risk Factors" of this Form 10-Q.*

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cautionary Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") contains statements that are, or may be considered to be, "forward-looking statements" under Canadian securities laws and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be subject to the "safe harbor" created by those sections and other applicable laws. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions. All statements other than statements of historical fact included in this Form 10-Q regarding the prospects of Charlotte's Web Holdings, Inc., ("Charlotte's Web", the "Company" or "we"), the industry or its prospects, plans, financial position or business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "plans," "expects" or "does not expect," "is expected," "look forward to," "budget," "scheduled," "estimates," "forecasts," "will continue," "intends," "the intent of," "have the potential," "anticipates," "does not anticipate," "believes," "should," "should not," or variations of such words and phrases that indicate that certain actions, events or results "may," "could," "would," "might," or "will," "be taken," "occur," or "be achieved," or the negative of these terms or variations of them or similar terms. Furthermore, forward-looking statements may be included in various filings that the Company makes with the SEC, on SEDAR +, or in press releases or oral statements made by or with the approval of one of the Company's authorized executive officers. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. All capitalized and undefined terms used in this section shall have the same meanings hereafter defined in this Quarterly Report on Form 10-Q.

*The following discussion and analysis of financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the unaudited condensed consolidated financial statements and the accompanying notes in this Form 10-Q and the sections entitled "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2024. Except for historical information, the discussion in this section contains forward-looking statements that involve risks and uncertainties, as discussed in the "Cautionary Note Regarding Forward Looking Statements." Future results could differ materially from those discussed below for many reasons, including the risks described in Item 1A—"Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024 and in Part II, Item 1A—"Risk Factors" of this Form 10-Q.*

### Management's Discussion & Analysis of Charlotte's Web Holdings, Inc.

For purposes of this discussion, "Charlotte's Web," "CW," "we," "our," "us", or the "Company" refers to Charlotte's Web Holdings, Inc. and its subsidiaries: Charlotte's Web, Inc. and Abacus Products, Inc., and its wholly-owned subsidiaries: Abacus Health Products, Inc., Abacus Wellness, Inc. and CBD Pharmaceuticals Ltd. The results herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Amounts are presented in thousands of United States dollars, unless otherwise indicated.

### BUSINESS OVERVIEW

Charlotte's Web Holdings, Inc., is a Certified B Corp headquartered in Louisville, Colorado, which conducts the majority of its business in the United States. The Company is a market leader in innovative hemp extract wellness products under a family of brands which includes Charlotte's Web™, CBD Medic™, and CBD Clinic™. Charlotte's Web premium quality products start with proprietary hemp genetics that are 100% North American farm grown and are then manufactured into hemp extracts containing naturally occurring phytocannabinoids including cannabidiol ("CBD"), cannabichromene ("CBC"), cannabigerol ("CBG"), terpenes, flavonoids and other cannabinoids and beneficial hemp compounds. The Company is headquartered in a cGMP compliant facility in Louisville, Colorado, where the Company conducts its production of tinctures, distribution, and quality control activities, as well as research and development ("R&D"). Charlotte's Web product categories include full spectrum hemp extract oil tinctures (liquid products), gummies, capsules, CBD topical creams and lotions, broad-spectrum botanical CBD, functional mushrooms, and pet products. Charlotte's Web products are distributed to retailers and health care practitioners, and online through the Company's website at [www.CharlottesWeb.com](http://www.CharlottesWeb.com). The information provided on the website is not part of this MD&A.

The Company's business consists of the farming, manufacturing, marketing, and sales of hemp-derived CBD and botanical-based wellness products. As of September 30, 2025, the Company operated in a single operating and reportable segment, hemp-derived CBD wellness products, making up the majority of the revenue of the Company. The executive officers reviewed overall operating results in order to assess financial performance and to make resource allocation decisions, rather than to assess a lower-level unit of operations in isolation.

The Company's primary products are made from proprietary strains of whole-plant hemp extracts containing a full spectrum of phytocannabinoids, terpenes, flavonoids and other hemp compounds. The Company believes the presence of these various compounds work synergistically to heighten the effects of the products, making them superior to single-compound isolates.

Hemp extracts are produced from Cannabis and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a THC concentration of not more than 0.3% on a dry weight basis. The Company is engaged in research involving a broad variety of compounds derived from hemp. Where research provides evidence that a greater than 0.3% THC level may have a potential therapeutic use, the Company may consider pursuing development of that use in jurisdictions where it is legal to do so in accordance with applicable regulations and if consistent with the Company's strategic vision. The Company does not currently have any plans to expand into high THC products in the near future.

The Company grows its proprietary hemp domestically in the United States on farms leased in northeastern Colorado and sources hemp through contract farming operations in Arizona, Colorado, Kentucky, New Mexico and Canada. The hemp grown in Canada is utilized exclusively in the Canadian markets or for research purposes and not in the Company's products sold within the United States.

### ***Recent Developments***

With an increased commitment to innovation, Charlotte's Web has refreshed its mission to "Unearth the Science of Nature to Revolutionize Wellness," and is evolving its wellness offerings both to strengthen the Company's core leadership in CBD, and extend beyond CBD to include a broader range of botanical-based wellness solutions, including minor cannabinoids. A testament to this expansion is the launch of Charlotte's Web Stay Asleep Cannabinol ("CBN") gummies. Similar to CBD, CBN is a non-intoxicating cannabinoid found in the hemp plant. At the cutting edge of innovative natural sleep solutions, these melatonin free gummies could offer distinct benefits for the approximately 67% of adults who report waking up during the night (Phillips Global Sleep Survey, 2019). This is the first CBN sleep product supported by placebo-controlled peer-reviewed research study, offering a 20 mg dose of CBN. The Stay Asleep gummy demonstrates Charlotte's Web's commitment to science-backed products, providing an effective alternative to more traditional sleep supplements and medications. Charlotte's Web believes expanding beyond CBD leverages the Company's brand recognition, intellectual property, and partnerships, including an ongoing collaboration with DeFloria LLC ("DeFloria") for botanical drug development.

As of September 30, 2025, several states have adopted new regulations that will impact the Company's ability to sell certain products as currently formulated or packaged in these states. Many of these states have also implemented new THC/CBD limits, age verification, testing, labeling and packaging requirements. The Company continues to assess the business and financial impacts of the new regulations, including steps that can be taken to address the new product formulation, and labeling requirements, as well as costs and potential revenue impacts and anticipated timing for such impacts to the Company in these states.

The Company continues to invest in R&D efforts to identify new product opportunities. The Company is working to capitalize on the rapidly emerging botanical-based wellness products industry by driving customer acquisition and retention, as well as accelerating retail expansion. In addition, the Company is expanding its product line beyond hemp-based products should the science and the Company's strategic vision support such expansion.

On February 24, 2025, the Company announced that the U.S. Food and Drug Administration ("FDA") has completed its review of the Phase 1 data and Investigational New Drug ("IND") application submitted by DeFloria. The FDA has cleared DeFloria to proceed with its planned FDA Phase 2 clinical trial for its botanical pharmaceutical candidate, AJA001 Oral Solution, a treatment for symptoms of autism spectrum disorder ("ASD"). DeFloria is a collaboration including the Company and AJNA to develop AJA001 as a treatment for irritability associated with ASD. AJA001 employs the Company's proprietary full-spectrum cannabidiol hemp extract derived from one of its patented cultivars.

The Company and MLB entered into a letter agreement ("PRA Letter Agreement") terminating the MLB Promotional Rights Agreement as of May 13, 2025 and waives the Company's obligation to pay the remaining aggregate rights fee of \$18 million for the current and remainder of the term of the MLB Promotional Rights Agreement.

### Selected Financial Information

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Total revenues	\$ 11,503	\$ 12,587	\$ 36,571	\$ 37,000
Cost of goods sold	7,026	5,914	19,874	20,834
Gross profit	4,477	6,673	16,697	16,166
Selling, general, and administrative expenses	9,731	12,693	31,371	42,700
Operating loss	(5,254)	(6,020)	(14,674)	(26,534)
Change in fair value of financial instruments	(1,200)	1,422	(2,869)	702
Other income (expense), net	600	(1,189)	(813)	(584)
Net loss before income taxes	\$ (5,854)	\$ (5,787)	\$ (18,356)	\$ (26,416)
Total assets			\$ 81,599	\$ 119,644
Total liabilities			\$ 72,352	\$ 89,401

### For The Three Months Ended September 30, 2025 and 2024

#### Revenue

The majority of the Company's revenue is derived from sales of branded products to consumers via the Company's DTC e-commerce website, and distributors. Service revenue is attributable to the Company and DeFloria entering into Services Agreement pursuant to which the Company is compensated for the provision of certain services to DeFloria

	Three Months Ended September 30,		% Change
	2025	2024	
Product revenue	11,428	12,513	(8.7)%
Service revenue	75	74	1.4 %
Total revenue	\$ 11,503	\$ 12,587	(8.6)%

Total revenue for the three months ended September 30, 2025, was \$11,503, a decrease of 8.6% compared to the three months ended September 30, 2024. The decrease is driven by the Company's decision to shift the majority of the B2B business to a more margin-accretive distributor model. This strategy provides savings in selling, general and administrative expenses and is part of the overall cost efficiency direction. The Company saw a decrease in B2B revenues of approximately \$1.1 million or 48% for the quarter compared to prior year.

#### Cost of Goods Sold

Cost of goods sold includes the cost of inventory sold, changes in inventory provisions, and other production costs expensed. Other production costs include direct and indirect production costs including direct labor, processing, testing, packaging, quality assurance, security, shipping, depreciation of production equipment, indirect labor, including production management, and other related expenses. The primary factors that can impact cost of goods sold on a period-to-period basis include the volume of products sold, mix of product sold, third-party quality costs, transportation, overhead allocations and changes in inventory provisions.

The components of cost of goods sold are as follows:

	<b>Three Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Inventory expensed to cost of goods sold	3,934	4,068	(3.3)%
Inventory provision, net	28	—	100.0 %
Other production costs	2,026	927	118.6 %
Service costs	75	75	— %
Depreciation and amortization	963	844	14.1 %
Cost of goods sold	<u>\$ 7,026</u>	<u>\$ 5,914</u>	<u>18.8 %</u>

Cost of goods sold increased 18.8% for the three months ended September 30, 2025 compared to the three months ended September 30, 2024, primarily due to increased production and depreciation costs. The Company has experienced lower inventory turns as a result of lower revenues, this has resulted in higher inventory variances impacting our cost leverage.

Depreciation and amortization expense for the three months ended September 30, 2025 and September 30, 2024 was \$1,689 and \$2,523, respectively, of which \$963 and \$844, respectively, was expensed to cost of goods sold. The remaining depreciation and amortization expenses of \$726 and \$1,679, respectively, was expensed to Selling, general, and administrative expenses.

### ***Gross Profit***

The primary factors that can impact gross profit margins include the volume of products sold, revenue mix between DTC e-commerce and B2B, product sales mix, promotional and sales discount rate, manufacturing spend, transportation costs, and changes in inventory provisions.

Gross profit for the three months ended September 30, 2025 and September 30, 2024 is as follows:

	<b>Three Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Gross profit	<u>\$ 4,477</u>	<u>\$ 6,673</u>	<u>(32.9)%</u>
Gross margin	<u>38.9%</u>	<u>53.0%</u>	<u>(14.1)%</u>

Gross profit was \$4.5 million or 38.9% of revenue for the three months ended September 30, 2025, compared to \$6.7 million, or 53.0% of revenue for the the three months ended September 30, 2024. Gross margin compression resulted from a one-time \$0.5 million B2B retail chargeback reserve related to the B2B transition, as well as higher Cost of Goods Sold due to temporary scaling inefficiencies associated with the transition to in-house manufacturing operations. Excluding these anomalies, the underlying gross profit model remains aligned with the Company's historical 50% range.

### ***Selling, General, and Administrative Expenses***

Total Selling, general, and administrative expenses are as follows:

	<b>Three Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Selling, general, and administrative expenses	<u>\$ 9,731</u>	<u>\$ 12,693</u>	<u>(23.3)%</u>

Total Selling, general, and administrative expenses for the three months ended September 30, 2025 and September 30, 2024 were \$9,731 and \$12,693, respectively. The amended MLB Promotional Rights Agreement resulted in a decrease in amortization expense related to MLB assets of approximately \$1.8 million compared to the three months ended September 30, 2024. Additionally, the decrease is due to

operating expense reductions. The Company made additional cost cutting measures in the third quarter to further align with current revenue levels.

Depreciation and amortization expensed to Selling, general, and administrative expenses for the three months ended September 30, 2025 and September 30, 2024 were \$726 and \$1,679, respectively. The decrease was due to the decrease in amortization related to the amended MLB agreement, offset by higher depreciation for in sourcing of inventory production.

Total research and development costs expensed to Selling, general, and administrative expense for the three months ended September 30, 2025 and September 30, 2024 were \$475 and \$556, respectively. Research and development expenses primarily include personnel costs related to our R&D science division as well as R&D related projects advancing hemp cannabinoid science through research programs that provide a better understanding of the possible therapeutic uses of cannabinoids.

### ***Total Change in Fair Value of Financial Instruments***

Total change in fair value of financial instruments is as follows:

	<b>Three Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Change in fair value of financial instruments	\$ (1,200)	\$ 1,422	(184.4)%

Total change in fair value of financial instruments for the three months ended September 30, 2025 and September 30, 2024 was a net loss of \$1,200 and a net gain of \$1,422, respectively. For the three months ended September 30, 2025, primarily due to the revaluation of the fair value of the Company's debt conversion option and debt interest rate conversion feature resulting in a net loss of \$0.9 million, compared to a net gain of \$1.6 million for the three months ended September 30, 2024. The fair value of the Company's embedded derivatives and options are revalued at each reporting date with changes impacted by variability in the Company's share price and implied debt yields.

### **For the Nine Months Ended September 30, 2025 and 2024**

#### ***Revenue***

The majority of the Company's revenue is derived from sales of branded products to consumers via the Company's DTC e-commerce website, and distributors. Service revenue is attributable to the Company and DeFloria entering into the Services Agreement pursuant to which the Company is compensated for the provision of certain services to DeFloria.

	<b>Nine Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Product revenue	\$ 36,346	\$ 36,541	(0.5)%
Service revenue	225	459	(51.0)%
Total revenue	\$ 36,571	\$ 37,000	(1.2)%

Total revenue for the nine months ended September 30, 2025 was \$36,571, a decrease of 1.2% compared to the nine months ended September 30, 2024.

Total product revenue for the nine months ended September 30, 2025 was \$36,346, representing a 0.5% decrease compared to the nine months ended September 30, 2024. The decrease is due to the Company's decision to shift the majority of the B2B business to a distribution model during the third quarter. This channel has had declining revenue and profit margin. B2B revenue decreased by approximately \$2.4 million or 19% for the nine months ended September 30, 2025, partially offset by an increase in DTC revenue \$1.6 million or 7% over the period.

Service revenue for the nine months ended September 30, 2025 was \$225 or a decrease of 51.0%, compared to the nine months ended September 30, 2024. On February 12, 2024, the Company and DeFloria entered into a Master Services Agreement ("Services Agreement") in which the Company is compensated for certain services to DeFloria. DeFloria has concluded Phase I clinical trials, as such the service revenue has been decreased for Phase II.

### **Cost of Goods Sold**

Cost of goods sold includes the cost of inventory sold, changes in inventory provisions, and other production costs expensed. Other production costs include direct and indirect production costs including direct labor, processing, testing, packaging, quality assurance, security, shipping, depreciation of production equipment, indirect labor, including production management, and other related expenses. The primary factors that can impact cost of goods sold on a period-to-period basis include the volume of products sold, mix of product sold, third-party quality costs, transportation, overhead allocations and changes in inventory provisions.

The components of cost of goods sold are as follows:

	<b>Nine Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Inventory expensed to cost of goods sold	11,689	11,766	(0.7)%
Inventory provision, net	24	3,926	(99.4)%
Other production costs	5,363	2,133	151.4 %
Service costs	225	460	(51.1)%
Depreciation and amortization	2,573	2,549	0.9 %
Cost of goods sold	<u>\$ 19,874</u>	<u>\$ 20,834</u>	<u>(4.6)%</u>

Cost of goods sold decreased 4.6% for the nine months ended September 30, 2025, compared to the nine months ended September 30, 2024. The decrease was primarily due to the prior year period including a \$3.9 million non-cash inventory provision related to wholesale hemp biomass transactions partially offset by an increase in variable operating costs in the current period, including startup costs associated with the transition to in-house gummy production and expanded product offerings. The decrease was partially offset by an increase in production costs related to higher inventory variances due to lower turning revenue.

Depreciation and amortization expense for the nine months ended September 30, 2025 and September 30, 2024 was \$4,650 and \$7,505, respectively, of which \$2,573 and \$2,549, respectively, was expensed to cost of goods sold. The remaining depreciation and amortization expenses of \$2,077 and \$4,956, respectively, was expensed to Selling, general, and administrative expenses.

### **Gross Profit**

The primary factors that can impact gross profit margins include the volume of products sold, the mix of revenue between DTC e-commerce and B2B, product sales mix, promotional and sales discount rate, manufacturing spend, transportation costs, and changes in inventory provisions.

Gross profit for the nine months ended September 30, 2025 and September 30, 2024 is as follows:

	<b>Nine Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Gross profit	<u>\$ 16,697</u>	<u>\$ 16,166</u>	<u>3.3 %</u>
Gross margin	<u>45.7%</u>	<u>43.7%</u>	<u>4.6 %</u>

Gross profit increased 3.3% year-over-year for the nine months ended September 30, 2025. The increase is primarily related to the absence of the inventory provision of \$3.9 million for the nine months ending September 30, 2025. Partially offset by gross margin compression resulted from a one-time \$0.5 million B2B retail chargeback reserve related to the B2B transition, as well as higher Cost of Goods Sold due to temporary scaling inefficiencies associated with the transition to in-house manufacturing operations.

### ***Selling, General, and Administrative Expenses***

Total Selling, general, and administrative expenses are as follows:

	<b>Nine Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Selling, general, and administrative expenses	\$ 31,371	\$ 42,700	(26.5)%

Total selling, general, and administrative expenses for the nine months ended September 30, 2025 and September 30, 2024 were \$31,371 and \$42,700, respectively. The 26.5% decrease was primarily attributable to a reduction in amortization expense of \$3.8 million related to the termination of the MLB Promotional Rights Agreement. The remaining decrease is due to cost cutting measures in personnel costs undertaken by the Company between the comparable periods. These measures included adjusting the size of the workforce to properly align with the revenue scope, as well as improving the Company's insurance program and aligning with more cost-efficient software options and improved operating efficiencies.

Depreciation and amortization expensed to Selling, general, and administrative expenses for the nine months ended September 30, 2025 and September 30, 2024 were \$2,077 and \$4,956, respectively. The decrease was due to the decrease in amortization related to the amended MLB agreement.

Total research and development costs expensed to Selling, general, and administrative expense for the nine months ended September 30, 2025 and September 30, 2024 were \$1,500 and \$1,955, respectively. Research and development expenses primarily include personnel costs related to the Company's R&D science division as well as R&D related projects advancing hemp cannabinoid science through research programs that provide a better understanding of the possible therapeutic uses of cannabinoids.

### ***Total Change in Fair Value of Financial Instruments***

Total change in fair value of financial instruments is as follows:

	<b>Nine Months Ended September 30,</b>		<b>% Change</b>
	<b>2025</b>	<b>2024</b>	
Change in fair value of financial instruments	\$ (2,869)	\$ 702	(508.7)%

Total change in fair value of financial instruments for the nine months ended September 30, 2025 and September 30, 2024 was a loss of \$2,869 and a gain of \$702, respectively. The change in fair value of financial instruments was primarily due to a loss of \$1.5 million for the nine months ended September 30, 2025, compared to a gain of \$0.4 million for the nine months ended September 30, 2024 in the investment of DeFloria. The decrease was primarily due to the financial projections extended for an additional year based on timing of completing clinical trials. Additionally, the loss was due to a change in fair value of debt conversion option of \$0.8 million. The option is valued using the Black-Scholes option pricing model and an increase in the Company share price for the nine month ending September 30, 2025 caused the change during the period.

### ***Liquidity and Capital Resources***

The Company's objective when managing its liquidity and capital resources is to provide sufficient short and long-term liquidity to fund net operating losses and capital expenditures while executing strategic growth plans. In the near to mid-term, it is focused on reducing negative cash flows from operations.

As of September 30, 2025 and December 31, 2024, the Company had total current liabilities of \$8,873 and \$15,936, respectively, and cash and cash equivalents of \$9,810 and \$22,618, respectively, to meet its current obligations.

The Company expects a reduction in overall selling, general, and administrative expenses in the remainder of 2025 as a result of several actions taken in the second half of 2024, as well as additional reductions projected in the second half of 2025. This includes improvements



in operating efficiency throughout the business, cost savings from a more efficient e-commerce platform and associated information technology upgrades, and a data-driven reorganization of its B2B business and retail partnering strategies.

Management believes that the Company's existing cash and cash equivalents, and short-term investments will provide sufficient liquidity to fund operations and planned capital expenditures for the next 12 months. The Company's ability to fund its operations for the longer term will depend on the future operating performance, particularly revenue growth and expense management, which can be affected by general economic conditions, industry regulatory changes, and other factors beyond the Company's control.

In addition to cash provided by operations, the Company may fund long-term liquidity requirements through various sources of capital. The Company regularly considers fundraising opportunities and may decide, from time to time, to raise capital through borrowings or issuances of additional equity and/or debt securities. The Company's ability to raise funds through the issuance of additional equity and/or debt securities is dependent on a number of factors, including the current state of the capital markets, investor sentiment, and intended use of proceeds.

## Cash Flows

### *Cash from Operating Activities*

Net cash used in operating activities for the nine months ended September 30, 2025 and September 30, 2024 were as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Net cash used in operating activities	\$ (12,246)	\$ (19,469)

For the nine months ended September 30, 2025, the decrease in cash used in operations is primarily due to operating cost saving measures, as well as, a reduction in payments associated with the MLB Promotional Rights Agreement, compared to \$5.0 million for the nine months ended September 30, 2024. The decrease is partially offset by increased inventory cost related to the ramp on manufacturing in-sourcing and rebranding costs.

### *Cash from Investing Activities*

Net cash used in investing activities for the nine months ended September 30, 2025 and September 30, 2024 were as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Net cash used in investing activities	\$ (528)	\$ (3,598)

For the nine months ended September 30, 2025, the project to in-source topical and gummy production is complete resulting in a decrease in cash used in investing activities compared to the nine months ended September 30, 2024.

### *Cash from Financing Activities*

Net cash used in financing activities for the nine months ended September 30, 2025 and September 30, 2024 were as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Net cash used in financing activities	\$ (34)	\$ (133)

For the nine months ended September 30, 2025, the change was primarily due to the vesting of restricted stock units.

## **Off-Balance Sheet Arrangements**

As of September 30, 2025 and December 31, 2024, we do not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on our results of operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

## **Related party transactions**

Effective November 2020, the Company issued a secured promissory note, where \$1,000 was loaned to one of the Stanley Brothers. The note receivable was secured by equity instruments with certain of the Stanley Brothers, bore interest at 3.25% per annum, and required the unpaid principal and unpaid interest balances to be paid on or before the maturity date of November 13, 2021, which date was subsequently extended. Effective November 13, 2024, the Company entered into a third amendment of the promissory note to extend the maturity date until November 13, 2029. According to the terms of the agreement, no additional interest will accrue through the payment date. The note has been fully reserved for as of December 31, 2024.

On March 2, 2021, the Company entered into the SBH Purchase Option with Stanley Brothers USA as discussed above (Note 3 "Fair Value Measurement"). The SBH Purchase Option was purchased for total consideration of \$8,000. Certain members of the Stanley Brothers, who are or were employees of the Company at the time, are the majority shareholders of Stanley Brothers USA.

On April 6, 2023, the Company jointly formed an entity, DeFloria, with AJNA and BAT. AJNA is a botanical drug development company. AJNA is partially owned and was co-founded by a member of the Stanley Brothers. BAT holds an equity interest in the entity in the form of approximately 2,000,000 preferred units following its initial \$10 million investment and has the right to participate in future equity issuances to maintain its pro rata equity position. The Company and AJNA each hold 4,000,000 of the entity's voting common units (Note 3). Effective May 1, 2023, the Company entered into an 8% interest bearing note receivable with DeFloria for the sale of lab equipment in the amount of \$170. The principal and interest of the note receivable will be paid in 36 monthly installments. As of September 30, 2025, and December 31, 2024, the remaining note receivable of \$28 and \$71, respectively is presented in other assets in the condensed consolidated balance sheets.

On April 6, 2023, the Company and DeFloria entered into a supply agreement in which the Company shall supply raw material that will be used in the development of the new drug. The price charged by the Company is at cost of goods sold level. For the nine months ended September 30, 2025 and September 30, 2024, the Company recognized \$641 and \$— in revenue and cost of goods sold, respectively, related to the supply agreement with DeFloria. Similarly, on February 12, 2024, the Company and DeFloria entered into a separate master services agreement pursuant to which the Company will be compensated for the provision of certain services to DeFloria. For the three and nine months ended September 30, 2025, the Company recognized \$75 and \$225 in revenue and cost of goods sold, respectively, related to the service agreement with DeFloria. For the three and nine months ended September 30, 2024, the Company recognized \$74 and \$459 in revenue and cost of goods sold, respectively, related to the service agreement with DeFloria. Additionally, the Company has an accounts receivable balance due from DeFloria of \$1,134 and \$648 as of September 30, 2025 and December 31, 2024, respectively.

On July 15, 2025, the Company entered into a promissory note, as lender, where the Company loaned \$750 to DeFloria. The note and accrued interest is due and payable by DeFloria upon the later of December 31, 2026, or the date the Company shall issue and sell units of a newly-authorized series of preferred units in a bona fide financing transaction to one or more investors for aggregate cash proceeds to DeFloria or any other convertible debt of DeFloria of not less than \$10 million. Upon any event of default by DeFloria under the note, which includes DeFloria's failure to pay amounts within 3 business days of when due and breaches of DeFloria's obligations pursuant to the note, the Company will be entitled to exercise its rights under the note. The funds will be distributed monthly to DeFloria between July and November 2025, and the balance of the promissory note as of September 30, 2025 is \$575.

On June 21, 2024, the Company entered into a consulting agreement with Jared Stanley, former executive of the Company, and current member of the Board of Directors. In consideration for Mr. Stanley's services, he will receive a bi-weekly fee of \$6.

## **Recently Adopted Accounting Principles**

In November 2023, the FASB issued ASU 2023-07—Segment Reporting. The guidance was issued to provide financial statement users with more disaggregated expense information about a public entity's reportable segments. The guidance is effective for the year ended

December 31, 2024, and the expanded interim disclosures are effective in entities in 2025 and will be applied retrospectively to all prior periods presented.

### **Critical Policies and Accounting Estimates**

Listed below are the accounting policies and estimates we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. Please also refer to Note 2 of our notes to the condensed consolidated financial statements for a discussion on recently adopted and issued accounting pronouncements.

#### ***Investment in Unconsolidated Entities***

The Company has a variable interest in the investment in DeFloria; however, the Company is not the primary beneficiary of DeFloria as it lacks the power to direct DeFloria's key activities. The Company concluded that the investment in DeFloria should not be consolidated. In accordance with ASC 825-10, equity method investments are eligible for the fair value option as they represent recognized financial assets. As the Company was not required to consolidate the investment and does not meet any of the other scope exceptions, the Company had the ability to adopt the fair value option for the investment at inception. The investment was remeasured at fair value after each reporting date, with changes recognized in the condensed consolidated statements of operations, as changes in fair value of financial instruments for the period.

The use of assumptions for the fair value determination of the investment in DeFloria included a high degree of subjectivity and judgment using unobservable inputs (level 3 on the fair value hierarchy), which results in estimation uncertainty. To determine the value of the investment, the Company utilizes an Option Pricing Model (OPM). The OPM considers the various terms of the stockholder agreements, including the level of seniority among the securities, dividend policy, conversion ratios, and cash allocations upon liquidation of the entity. The OPM is appropriate when the range of potential future outcomes is difficult to predict with any certainty.

#### ***Inventories***

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Cost includes all expenses for direct raw materials inputs, as well as costs directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Cost is determined by use of the weighted average method. To determine if a provision for inventories is required, the Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions, including forecasted demand compared to quantities on hand, as well as other factors such as potential excess or aged inventories based on product shelf life, and other factors that affect inventory obsolescence. The Company's inventories of harvested hemp are recorded at cost to grow and harvest. Raw materials costs as well as production costs are included in the carrying value of the Company's finished goods inventory. The Company's inventory production process for cannabinoid products includes cultivating of botanical raw material. Because of the duration of the cultivation process, a portion of the inventory will not be sold within one year. Consistent with the practice in other industries that cultivate botanical raw materials, all inventory is classified as a current asset.

#### ***Impairment of Long-Lived Assets***

The Company reviews intangible assets with indefinite useful lives for impairment at least annually and reviews all intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Long-lived assets, such as property and equipment and intangible assets subject to depreciation and amortization, as well as indefinite lived intangibles and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than the Company had originally estimated. Recoverability of these assets is measured by comparison of the carrying amount of each asset or asset group to the future undiscounted cash flows the asset or asset group is expected to generate over their remaining lives. If the asset or asset group is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset or asset group. If the useful life is shorter than originally estimated, the Company amortizes the remaining carrying value over the new shorter useful life. Impairment losses are recorded in selling, general, and administrative expense in the condensed consolidated statements of operations. There were no impairment losses recognized for the three and nine months ended September 30, 2025 and 2024, respectively.

### ***Convertible Debenture***

The Company determined that the debenture is a freestanding financial instrument, which includes embedded derivatives. The embedded derivatives have been bifurcated from the debenture and accounted for separately in accordance with the provisions of ASC 815, *Derivatives and Hedging*. The Company reviewed the terms of the debenture and identified two material embedded features which required bifurcation and separate accounting pursuant to the provisions of ASC 815: 1) the interest rate conversion feature based on changes in federal regulations, and 2) the debt conversion option to common shares. The debt interest rate conversion feature is classified as a derivative asset and measured at fair value using a probability weighted income approach. The debt conversion option is classified as a derivative liability and measured at fair value using a Black-Scholes option pricing model. The Company allocated proceeds first to the derivatives measured at fair value and the residual amount was allocated to the debenture. Debt issuance costs are allocated to the debenture. The debt issuance costs are presented as a direct reduction from the face value of the debenture and amortized over the stated term of the debenture.

### ***Income Taxes***

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets or liabilities are computed based on the temporary difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal income tax rate in effect for the year in which the differences are expected to reverse. Deferred income tax expense or benefit is based on the changes in the deferred income tax assets or liabilities from period to period. A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized.

Significant judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against net deferred tax assets. The Company assesses the likelihood that deferred tax assets will be recovered as deductions from future taxable income. The evaluation of the need for a valuation allowance is performed on a jurisdiction-by-jurisdiction basis and includes a review of all available positive and negative evidence. Factors reviewed include projections of pre-tax book income for the foreseeable future, determination of cumulative pre-tax book income or loss, earnings history, and forecasting reliability. It is the Company's policy to offset indefinite lived deferred tax assets with indefinite lived deferred tax liabilities. The Company provided a full valuation allowance on deferred tax assets because it is more likely than not that deferred tax assets will not be realized.

The Company accounts for uncertainties in income taxes under ASC Topic 740, which prescribes a recognition threshold and measurement methodology to recognize and measure an income tax position taken, or expected to be taken, in a tax return. With respect to any tax positions that do not meet the recognition threshold, a corresponding liability, including interest and penalties, is recorded in the condensed consolidated financial statements. The Company may be subject to examination by tax authorities where the Company conducts operations. The earliest income tax year that may be subject to examination is 2019. The Company has recorded an uncertain tax position as of September 30, 2025 and December 31, 2024. The Company's policy is to recognize interest and penalties on taxes, if any, within the condensed consolidated statements of operations as income tax expense.

### ***Revenue Recognition***

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customer ("ASC 606"). The Company elected to early adopt ASC 606 as of January 1, 2018, as permitted by the standard. The Company performs the following five steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company applies the five-step model to arrangements that meet the definition of a contract under the standard, including when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of revenue accounting, the Company evaluates the goods or services promised within each contract related performance obligation and assesses whether each promised good or service is distinct. The Company recognizes as revenue, the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The Company recognizes revenue from customers when control of the goods or services are transferred to the customer, generally when products are shipped, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Freight revenue is included in revenue on the condensed consolidated statements of operations, and is generally exempt from

state sales taxes. Sales tax collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue in the condensed consolidated statements of operations. Contracts are written to include standard discounts and allowances. Contracts are not written to include advertising allowances, tiered discounts or any other performance obligation. Since the Company's contracts involve the delivery of various tangible products, the arrangements are considered to contain only a single performance obligation, as such there is no allocation of the transaction price. The Company also offers e-commerce discounts and promotions through its online rewards program. The Charlotte's Web Loyalty Program offers customers rewards points for every dollar spent through the Company website to earn store credit for future purchases. The Company defers recognition of revenue for unredeemed awards until the following occurs: (1) rewards are redeemed by the consumer, (2) points or certificates expire, or (3) an estimate of the expected unused portion of points or certificates is applied, which is based on historical redemption patterns.

Any product that does not meet the customer's expectations can be returned within the first 30 days of delivery in exchange for another product or for a full refund. Generally, any product sold through a distributor must be returned to the original purchase location for any return or exchange. The Company accounts for customer returns utilizing the "expected value method." Expected amounts are excluded from revenue and recorded as a "refund liability" that represents the Company's obligation to return the customer's consideration. Estimates are based on actual historical and current specific data.